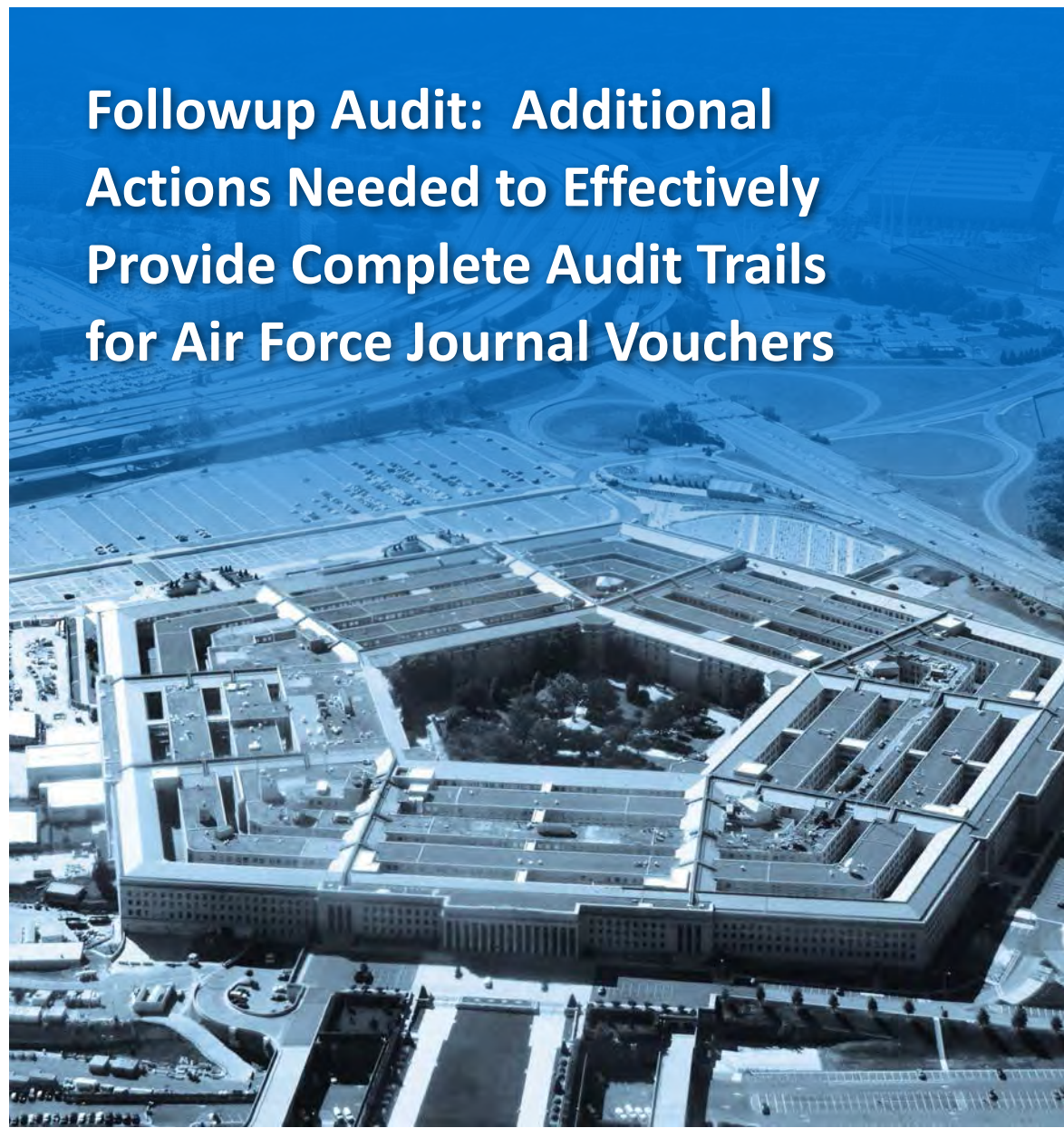




# INSPECTOR GENERAL

*U.S. Department of Defense*

JULY 10, 2015



## **Followup Audit: Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers**

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *Followup Audit: Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers*

July 10, 2015

### Objective

Our objective was to determine whether Defense Finance and Accounting Service (DFAS) Columbus officials modified the journal vouchers (JV) for the Air Force General Fund Statement of Budgetary Resources as agreed to in Recommendation B.1 of DoD IG Report No. DODIG-2012-027, "Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund Statement of Budgetary Resources," December 1, 2011 and whether these actions corrected the identified deficiencies.

### Finding

DFAS Columbus officials did not fully implement Recommendation B.1 as agreed in DoD OIG Report No. DODIG-2012-027. Although DFAS Columbus accountants improved the Air Force JV audit trails with a clear description, methodology, and explanation of correcting JVs, they still did not have an adequate JV audit trail. DFAS Columbus accountants did not include the underlying detail, transaction-level supporting documentation or summarize the content and its location for 38 of 50 JVs nonstatistically sampled from Defense Departmental Reporting System, worth \$90.2 of \$139.6 billion.

This occurred because the DFAS Columbus Standard Operating Procedures, "JV Process," April 25, 2014, did not require accountants to include transaction-level supporting

### Finding (cont'd)

documentation. As a result, DFAS Columbus accountants continued to issue Air Force JVs that did not comply with the DoD Financial Management Regulation and DoD Financial Reporting Guidance. This increases the risk that the Air Force will not be audit ready by the end of 2017.

### Recommendations

The Defense Finance and Accounting Service Columbus officials should:

- update local guidance to require that accountants include all of the underlying detail, transaction-level documentation with the JV or summarize the content and provide the location of the supporting documentation in the JV as required by the DoD Financial Management Regulation and DoD Financial Reporting Guidance.
- continue to coordinate with Air Force officials to obtain all supporting documentation for their JVs in accordance with the DoD Financial Management Regulation and DoD Financial Reporting Guidance.

### Management Comments and Our Response

Comments from DFAS Columbus addressed all specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the back of this page.

## ***Recommendations Table***

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Finance and Accounting Service Columbus		1, 2





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

July 10, 2015

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)

SUBJECT: Followup Audit: Additional Actions Needed to Effectively Provide Complete  
Audit Trails for Air Force Journal Vouchers (Report No. DODIG-2015-145)

We are providing this report for your information and use. Defense Finance and Accounting Service Columbus officials did not fully implement Recommendation B.1 as agreed in DoD OIG Report No. D-2012-027. As a result, the Air Force is at an increased risk that they will not be audit ready by the end of 2017. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on the draft report when preparing the final report. Comments from the Deputy Director, Defense Finance and Accounting Service Columbus addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

A handwritten signature in cursive script, reading "Amy J. Frontz", is positioned above the printed name.

Amy J. Frontz  
Acting Deputy Inspector General  
for Auditing

# Contents

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## Introduction

Objective	1
Background	1
Review of Internal Controls	3

## Finding. Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers

Summary from DoD OIG Report No. D-2012-027	4
Prior Audit Recommendation B.1	5
Agreed-Upon Action Not Fully Demonstrated	6
Management Action Taken	7
Recommendations, Management Comments, and Our Response	8

## Appendix

Scope and Methodology	10
Universe and Sample	11
Use of Computer-Processed Data	11
Use of Technical Assistance	12
Prior Coverage	12

## Management Comments

DFAS Columbus	13
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## Acronyms and Abbreviations

# Introduction

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## Objective

Our objective was to determine whether Defense Finance and Accounting Service (DFAS) Columbus officials modified the journal vouchers (JV) for the Air Force General Fund Statement of Budgetary Resources (SBR) as agreed to in Recommendation B.1 of DoD IG Report No. DODIG-2012-027, “Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund SBR,” December 1, 2011, and whether these actions corrected the identified deficiencies.

## Background

DFAS operates most finance and accounting systems and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance. DFAS establishes and enforces requirements, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to DoD. DFAS ensures the proper relationship with other DoD functional areas such as budget, personnel, logistics, acquisition, and civil engineering.

For example, DFAS Columbus is the Center of Excellence for Acquisition Accounting, the Agency’s largest customer mission area. DFAS Columbus hosts the key functions currently performed in the Accounting Operations and Disbursing mission areas that support DoD. Accounting operations consist of functional areas in:

- accounts payable;
- accounts receivable;
- accounts maintenance and control;
- customer call center;
- systems operations; and
- departmental reporting.

## ***Financial Statement Reporting***

DFAS executes statutory and regulatory financial reporting requirements and prepares financial statements. Specifically, DFAS Columbus accountants prepare and post JVs in the following systems.

- General Accounting and Finance System–Rehost (GAFS-R);
- Defense Departmental Reporting System (DDRS)–Budgetary (DDRS-B); and
- DDRS-Audited Financial Statements (DDRS-AFS).

However, the Air Force still has primary responsibility to control the funds provided by Congress and to comply with laws and regulations that limit how and when it uses its funds. The Air Force must comply with legal limitations by year, by appropriation type, by established programs, and by administrative allotments of funds to various organizational levels. It must also comply with those legal limits as it commits, obligates, and expends the funds.<sup>1</sup>

### ***Significance of Journal Vouchers***

JVs account for data-call information, reconciliations, corrections, and necessary adjustments required for reporting purposes. Proper preparation, adequate support, and approval for JVs are important to ensure that JVs accurately record a financial event. According to DoD IG Report No. DODIG-2012-027, this provides an opportunity for management to bypass many of the controls that exist in original entry accounting systems. The DoD Financial Management Regulation (DoD FMR)<sup>2</sup> and the DoD Financial Reporting Guidance<sup>3</sup> establishes detailed audit trail and testing requirements and requires that JVs are supported with underlying detail, transaction-level documentation.

## ***DFAS Financial Reporting Systems***

DFAS uses DDRS to prepare financial statements. DDRS standardizes DoD's financial reporting and interfaces with legacy and Enterprise Resource Planning systems. DDRS is a web-based application. It was designed from the top down, meaning DDRS started with audited financial statements (DDRS-AFS) and the Data Collection Module.

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<sup>1</sup> Federal law and DoD guidance establish these fiscal requirements such as Title 31, Chapter 15, United States Code (2011), "Appropriation Accounting;" Office of Management and Budget, Circular No. A-11 (2014); and DoD Regulation 7000.14 R, "DoD FMR," volume 3.

<sup>2</sup> DoD Regulation 7000.14 R, "DoD FMR," volume 6A, chapter 2, paragraph 020208.A.

<sup>3</sup> DoD Third Quarter, Financial Reporting Guidance, June 28, 2013.



### *DDRS-AFS*

The DDRS-AFS accounting system:

- standardizes the DoD departmental reporting process;
- produces the annual and quarterly departmental reports based on the United States Standard General Ledger (USSGL) and standard attributes;
- revised annually to accommodate financial reporting to the Office of the Under Secretary of Defense (Comptroller); and
- provides the required reconciliation within and between reports as established by Office of the Under Secretary of Defense (Comptroller).

### *DDRS-B*

The DDRS-B reporting system:

- standardizes the DoD departmental reporting process;
- produces the monthly departmental reports based on the USSGL and standard attributes;
- prepares monthly budgetary and financial reports; and
- provides the required reconciliation within and between reports.

Since DDRS-B is strictly a reporting system, it only produces budgetary reports and does not determine whether the correct accounting rules and principles were used when recording transactions and producing reports.

Over time, the DDRS-B module accommodated reporting changes from Office of Management and Budget, Department of the Treasury, and the Office of the Under Secretary of Defense (Comptroller).

## **Review of Internal Controls**

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness in regards to financial management. Specifically, we identified that DFAS Columbus accountants did not always prepare Air Force JVs with all of the underlying supporting documentation to facilitate an adequate audit trail as required by the DoD FMR and agreed to in Recommendation B.1 of DoD IG Report No. DODIG-2012-027. We will provide a copy of the report to the senior official responsible for internal controls at DFAS.

## Finding

### Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers

DFAS Columbus officials did not fully implement Recommendation B.1 as agreed in DoD OIG Report No. DODIG-2012-027. Although DFAS Columbus accountants improved the Air Force JV audit trails with a clear description, methodology, and explanation of correcting JVs, they still did not have an adequate JV audit trail. DFAS Columbus accountants did not include the underlying detail, transaction-level, supporting documentation or summarize the content and its location for 38 of 50 JVs from DDRS worth \$90.2 billion.<sup>4</sup>

This occurred because the DFAS Columbus standard operating procedure<sup>5</sup> did not require accountants to include transaction-level supporting documentation. As a result, DFAS Columbus accountants continued to issue Air Force JVs that did not comply with the DoD FMR and DoD Financial Reporting Guidance. This increases the risk that the Air Force will not be audit ready by the end of 2017.

<sup>4</sup> We reviewed 50 DDRS nonstatistically sampled JVs, worth \$139.6 billion. We selected our sample from a universe of 363 DDRS JVs, worth \$166.5 billion.

<sup>5</sup> DFAS Columbus standard operating procedure, "JV Process," April 25, 2014.

### Summary from DoD OIG Report No. D-2012-027

DFAS Columbus accountants did not always support JVs related to the FY 2009 Air Force General Fund SBR and other budgetary reports with appropriate and sufficient audit evidence, adequately detailed audit trails, or proper management approvals. Specifically, DFAS Columbus accountants:

- created 1,680 JVs, totaling \$538 billion, to force agreement of certain financial report totals and did not provide adequate support, such as transaction-level details or reconciliations;
- did not maintain an adequate detailed audit trail for 89 sample JVs, totaling \$169.7 billion; and
- did not properly approve 870 JVs, totaling \$877.5 billion.

These deficiencies occurred because DFAS Columbus did not have adequate accounting processes to effectively reconcile the related budgetary accounts or to document an adequate detailed audit trail. Additionally, DFAS Columbus policies

that approved JVs did not meet the requirements of the DoD FMR. As a result, DFAS did not ensure its Air Force General Fund SBR was accurate and reliable, which continued to delay its audit readiness.

### ***Prior Audit Finding B: Audit Trails Require Improvement to Support Audit Readiness***

Audit trails to support the compilation of the FY 2009 Air Force General Fund SBR were not adequate. Specifically, DFAS Columbus personnel did not:

- document an adequate audit trail for 89 JVs in the audit sample, totaling \$169.7 billion, which resulted in 208 audit trail-related deficiencies; or
- document a reconciliation that explained cumulative variances of \$5 billion between the final general ledger balances in the GAFS-R system and the final general ledger balances in the DDRS-B reporting system.

The 89 JVs in the sample that DFAS accountants prepared to compile the SBR lacked an adequate audit trail because DFAS Columbus did not design its JV template to clearly require all the information needed to comply with the DoD FMR. Specifically, the DFAS Columbus template did not include adequate written prompts in the “Description” input field to facilitate complete narrative explanations and more specific documentation in the JV file such as data sources and points of contact.

The lack of adequate audit trails between the GAFS-R system and the DDRS-B reporting system occurred because DFAS did not have a process to identify and document the significant differences between the USSGL account balances in each system. During our audit, DFAS accountants could not explain the differences.

As a result, DFAS did not fully support Air Force audit readiness efforts. However, DFAS personnel took action during the audit to research the \$5 billion discrepancy between DDRS-B and GAFS-R and provided supporting documentation that explained \$4.9 billion of the \$5 billion difference.

### **Prior Audit Recommendation B.1**

We recommended that the Director, DFAS Columbus modify the standard JV template with narrative prompts to ensure that JV documentation includes:

- a. a clear description to explain the reason for the JV that demonstrates that the JV is proper and accurate;
- b. a clear indication of the calculation methodology used to determine the JV amounts;

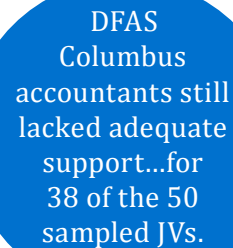
- c. a narrative explanation for correcting JVs that includes comments about why the original entry is incorrect and why the correcting entry is more accurate; and
- d. adequate references to supporting documentation, including specific identification of documents, their location, and a point of contact.

### ***Agreed-Upon Action***

The Director for DFAS Columbus, agreed, stating that DFAS Columbus created a catalogue of standardized narratives that comply with the DoD FMR to assist accountants in providing a complete explanation, preparation methodology, and standard documentation when preparing JVs.

### **Agreed-Upon Action Not Fully Demonstrated**

Although DFAS Columbus accountants improved the Air Force JV audit trails, they did not fully implement Recommendation B.1 as agreed. DFAS Columbus accountants still lacked adequate support such as a summarization of the support or the location of the support on or attached to the JVs for 38 of the 50 sampled JVs.



DFAS  
Columbus  
accountants still  
lacked adequate  
support...for  
38 of the 50  
sampled JVs.

### ***General Requirements for Journal Voucher Documentation***

The DoD FMR and DoD Financial Reporting Guidance establish the requirements for JV preparation and providing an adequate audit trail. Both the DoD FMR<sup>6</sup> and DoD Financial Reporting Guidance<sup>7</sup> requires that proper documentation must be kept with the JV in either hard copy or electronic form to support all entries. The documentation must contain sufficient information for approving officials and auditors to understand the rationale for the JV and its appropriateness. The documentation must also include the criteria supporting the rationale for the JV, specific expenditure or receipt amounts, and the calculation of the adjustment. If the documentation is too large and is not practical to keep with the JV, then the accountant preparing the JV must attach a summarization of the supporting documentation and identify its location.

<sup>6</sup> DoD FMR 7000.14 R, volume 6A, chapter 2, "Financial Roles and Responsibilities," paragraph 020208.D.

<sup>7</sup> DoD Third Quarter, Financial Reporting Guidance, section 403, June 28, 2013.

## ***Improvements to the Journal Voucher Audit Trails***

We followed the methodology and supporting documentation with minimal assistance used to support the 50 DDRS JVs worth \$139.6 billion. We generally found that the selected JVs had a clear description that explained the reason for the JV, indicated the calculation methodology, and a narrative explanation for correcting JVs.

## ***Missing Detailed Transaction Support for Journal Vouchers***

Although DFAS accountants have a revised template, they still lacked a complete audit trail for 45 sampled DDRS JVs as recommended in

Accountants did not always prepare JV adjustments with all of the detailed... supporting documentation.

DoD OIG Report No. DODIG-2012-027 and required by the DoD FMR and DoD Financial Reporting Guidance. Accountants did not always prepare JV adjustments with all of the detailed, transaction-level supporting documentation with the JV or identify specific and detailed information that summarized the content and identified the location of the supporting documentation.

This occurred because DFAS Columbus guidance did not require accountants to include this information within the reason and description fields when they prepared JVs.

If detailed, transaction-level supporting documentation is not provided, it hinders the Air Force's ability to be audit ready and increases the chances of discrepancies in the financial statements. The Director, DFAS Columbus, should revise the standard operating procedure to require that accountants prepare JVs in accordance with the DoD FMR and DoD Financial Reporting Guidance audit-trail requirements.

## **Management Action Taken**

Based on our inquiries, DFAS accountants provided additional support for 13 sampled DDRS JVs in December 2014 in an effort to help establish an adequate audit trail. We determined that 7 of these 13 JVs had an adequate audit trail as required by the DoD FMR and DoD Financial Reporting Guidance. As a result of their actions, DFAS Columbus accountants still had 38 of the 50 JVs that did not have an adequate audit trail. DFAS Columbus officials further stated they plan to revise their standard operating procedure so that it requires accountants to include detail transaction-level documentation for each JV.

DFAS Columbus accountants still had 38 of the 50 JVs that did not have an adequate audit trail.

Without the necessary transaction-level supporting documentation, there is no assurance that accountants prepared accurate and complete JVs. DFAS Columbus accountants need better analysis and coordination with the Air Force components to overcome this shortfall. The Director, DFAS Columbus, should continue to coordinate with Air Force officials to obtain all underlying documentation for their JVs in accordance with the DoD FMR and DoD Financial Reporting Guidance audit-trail requirements.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend that the Director, Defense Finance and Accounting Service Columbus update local guidance to specify that accountants must include all of the underlying detail, transaction-level documentation with the journal voucher as required by the DoD FMR and the DoD Financial Reporting Guidance. If it is not practical to attach the supporting documentation, accountants must provide specific and detailed information that summarizes the content and identifies the location of the supporting documentation in the “JV Reason” or “JV Description” field of all journal vouchers.**

#### *Director, Defense Finance and Accounting Service Columbus Comments*

The DFAS Columbus Deputy Director, responding for the DFAS Columbus Director, agreed, stating that DFAS Columbus officials are updating the JV Standard Operation Procedure to require that accountants include the underlying detail, transaction-level documentation or a reference to the location of the detail in the JV package. She also stated that of the 38 unsupported JVs worth \$90.2 billion identified in our finding, they self-identified 20 JVs worth \$87 billion as unsupported. She explained that in the fall of 2014 they proactively identified this weakness and began implementing our suggested corrective actions. She anticipated that this revision would be completed by August 31, 2015.

#### *Our Response*

Comments from the Deputy Director addressed all specifics of the recommendation, and no further comments are required.



## ***Recommendation 2***

**We recommend that the Director, Defense Finance and Accounting Service Columbus continue to coordinate with the Air Force to obtain all necessary underlying transaction-level documentation to support journal vouchers in accordance with the DoD FMR and DoD Financial Statement Guidance audit trail requirements.**

### ***Director, Defense Finance and Accounting Service Columbus Comments***

The DFAS Columbus Deputy Director, responding for the DFAS Columbus Director, agreed, stating that as part of the Statement on Standards for Attestation Engagements (SSAE 16) Financial Reporting review, DFAS Columbus officials are in the process of developing a new memorandum of understanding with the Air Force. This memorandum will discuss the JV reviews and coordination efforts between the two parties. She anticipated that this memorandum should be finalized by October 30, 2015.

### ***Our Response***

Comments from the Deputy Director addressed all specifics of the recommendation, and no further comments are required.

## Appendix

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### Scope and Methodology

We conducted this performance audit from April 2014 through May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed selected JVs and its supporting documentation for a clear description that explained the:

- rationale for the JVs;
- calculation or methodology;
- narrative explanations for correcting JVs; and
- adequate references to supporting documentation for those not included with the JV.

To accomplish this, we obtained and analyzed a copy of the JV and the supporting documentation. The supporting documentation generally consisted of the following.

- cover sheet;
- signature form page;
- system print screens;
- source system queries;
- emails;
- trail balance reports; or
- any other related documents.

We also compared the selected JVs and supporting documents to applicable financial management regulations such as the DoD FMR and DoD Financial Reporting Guidance. Additionally, we interviewed DFAS Columbus personnel about the selected JVs and their process to prepare and issue JVs.

## Universe and Sample

Our audit universe consisted of 363 DDRS JV transaction adjustments (193 DDRS-B and 170 DDRS-AFS JVs) with a combined value of \$166.5 billion. The universe included all DFAS Columbus accountants prepared and posted Air Force DDRS JV transaction adjustments for FY 2013. See Table A.1 below for a breakdown of the JV universe by system.

*Table A.1. DDRS Journal Voucher Universe*

System	Dollar Amount	No. JVs
<b>DDRS-AFS</b>	\$156,061,264,116	170
<b>DDRS- B</b>	\$10,438,279,635	193
<b>Total</b>	<b>\$166,499,543,751</b>	<b>363</b>

DoD OIG Quantitative Methods Division assisted in selecting a nonstatistical sample of 50 JVs (25 from DDRS-B and 25 from DDRS-AFS). We stratified each of the DDRS transaction populations based on dollar value and determined specific sampling sizes. Specifically, our sample of 25 DDRS-B JVs consisted of the 10 highest dollar JVs each with a value over \$170 million and a random sample of 15 other JVs. The sample of 25 DDRS-AFS JVs consisted of the 14 highest dollar JVs each with a value over \$3 billion and a random sample of 11 other JVs. See Table A.2 below for the sample size of JVs reviewed.

*Table A.2. DDRS Journal Voucher Sample*

System	Dollar Amount	No. JVs
<b>DDRS-AFS</b>	\$132,187,042,502	25
<b>DDRS- B</b>	\$7,418,740,610	25
<b>Total</b>	<b>\$139,605,783,112</b>	<b>50</b>

## Use of Computer-Processed Data

We relied on computer-processed data from DDRS-B and DDRS-AFS for Air Force JVs issued in FY 2013. We compared selected JVs to available hard-copy documentation and re-performed calculations as applicable. As a result, we determined that the data were sufficiently reliable for the purposes of our audit.

## Use of Technical Assistance

We used technical assistance from DoD OIG Quantitative Methods Division personnel to determine the sampling methodology for the audit. Please see Universe and Sample section in this Appendix for more details on the sample and how we selected the JVs for review.

## Prior Coverage

During the last 5 years, the DoD Office of the Inspector General (OIG) and the Air Force Audit Agency issued eight reports discussing adjusting JVs that affect the Air Force financial statements. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

Unrestricted Air Force Audit Agency reports can be accessed from <https://www.efoia.af.mil/palMain.aspx> by clicking on Freedom of Information Act Reading Room and then selecting audit reports.

### ***DoD IG***

Report No. DODIG-2015-025, "Independent Auditor's Report on the Air Force General Fund FY 2014 and 2013 Financial Statements," November 7, 2014

Report No. DODIG-2014-016, "Independent Auditor's Report on the Air Force General Fund FY 2013 and 2012 Financial Statements," December 9, 2013

Report No. DODIG-2013-009, "Independent Auditor's Report on the Air Force General Fund FY 2012 and 2011 Financial Statements," November 8, 2012

Report No. DODIG-2012-027, "Deficiencies in Journal Vouchers That Affected the FY 2009 Air Force General Fund Statement of Budgetary Resources," December 1, 2011

Report No. DODIG-2012-010, "Independent Auditor's Report on the Air Force General Fund FY 2011 and 2010 Basic Financial Statements," November 9, 2011

Report No. D-2011-007, "Independent Auditor's Report on the Air Force General Fund FY 2010 and 2009 Basic Financial Statements," November 9, 2010

### ***Air Force***

Report No. F2012-0001-FB3000, "Service Medical Activity - Air Force: Out of Service Debt," October 3, 2011

Report No. F2010-0009-FB3000, "Service Medical Activity - Air Force Contract Labor Accounts Payable," July 6, 2010

# Management Comments

## DFAS Columbus



DEFENSE FINANCE AND ACCOUNTING SERVICE  
P.O. BOX 182317  
COLUMBUS, OH 43218-2317

JUN 15 2015

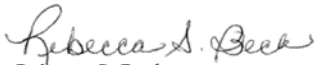
DFAS-CO/JB

MEMORANDUM FOR PRINCIPAL ASSISTANT INSPECTOR GENERAL FOR AUDITING

SUBJECT: Management Comments to Department of Defense Inspector General Draft Report, "Followup Audit: Additional Actions Needed to Effectively Provide Complete Audit Trails for Air Force Journal Vouchers," Project Number D2014-D000XD-0162.000, dated May 14, 2015

In accordance with subject audit, management comments to the final audit report are attached. The estimated completion date for Recommendation 1 is August 31, 2015. The estimated completion date for recommendation 2 is October 30, 2015.

For additional information, please contact [REDACTED]

  
Rebecca S. Beck  
Deputy Director, DFAS Columbus

Attachment:  
As stated

[www.dfas.mil](http://www.dfas.mil)

## DFAS Columbus (cont'd)

**Management Comments to Department of Defense Inspector General Draft Report,  
"Followup Audit: Additional Actions Needed to Effectively Provide Complete Audit Trails  
for Air Force Journal Vouchers," Project Number D2014-D000XD-0162.000, dated  
May 14, 2015**

**Recommendation 1:** We recommend that the Director, Defense Finance and Accounting Service Columbus update local guidance to specify that accountants must include all of the underlying detail, transaction-level documentation with the journal voucher as required by the DoD FMR and the DoD financial reporting Guidance. If it is not practical to attach the supporting documentation, accountants must provide specific and detailed information that summarizes the content and identifies the location of the supporting documentation in the "JV Reason" or "JV Description" field of all journal vouchers.

**Current Management Comments:** Concur with comments. The report identified 38 of the 50 sampled Journal Vouchers (JV's) as unsupported for \$90.2 billion. It should be noted that Defense Finance and Accounting Service (DFAS) Columbus did properly self-identify on the journal voucher that 20 of the 50 were unsupported in accordance with Section 403 of the Department of Defense Quarterly Financial Reporting Guidance. This amounts to \$87.0 billion of the unsupported identified. Implementing the recommendations will not currently correct the large dollar value of unsupported vouchers (i.e. eliminations).

Of the 30 remaining supported journal vouchers, the report identified 18 as unsupported. DFAS categorized the 18 original journal vouchers that were determined to be unsupported so that we could identify the additional support documentation needed. The categories include data call, data correction, and system reversals. Improvements identified during the Standards for Attestation Engagements (SSAE16) Financial Reporting review and an internal DFAS Accounting Summit were put in place in the fall of 2014 to include improved JV narration that includes source data location, required detail support documentation along with white papers which now accompany JVs for recurring events and more substantive support for system related adjustments.

In addition to the items mentioned above, DFAS Columbus is updating the Journal Voucher Standard Operation Procedure to state that the underlying detail, transaction-level documentation or a reference to the location of where the detail can be found should be included in the JV package.

**Estimated Completion Date:** August 31, 2015

**Recommendation 2:** We recommend that the Director, DFAS Columbus continue to coordinate with the Air Force to obtain all necessary underlying transaction-level detail documentation to support journal vouchers in accordance with the DoD FMR and DoD Financial Statement Guidance audit trail requirements.

**Current Management Comments:** Concur. As part of the Statement on Standards for Attestation Engagements (SSAE 16) Financial Reporting review, DFAS Columbus is in the process of developing a new Memorandum of Understanding with the Air Force in regards to journal voucher reviews and coordination efforts between the two parties.

**Estimated Completion Date:** October 30, 2015



## Acronyms and Abbreviations

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<b>DDRS</b>	Defense Departmental Reporting System
<b>DDRS-AFS</b>	Defense Departmental Reporting System–Audited Financial Statements
<b>DDRS-B</b>	Defense Departmental Reporting System–Budgetary
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DoD FMR</b>	Department of Defense Financial Management Regulation
<b>GAFS-R</b>	General Accounting Finance System–Rehost
<b>JV</b>	Journal Voucher
<b>OIG</b>	Office of Inspector General
<b>SBR</b>	Statement of Budgetary Resources
<b>USSGL</b>	United States Standard General Ledger



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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